

KELLOGG, HUBER, HANSEN, TODD & EVANS, P.L.L.C.

MICHAEL K. KELLOGG  
PETER W. HUBER  
MARK C. HANSEN  
K. CHRIS TODD  
MARK L. EVANS  
AUSTIN C. SCHLICK  
STEVEN F. BENZ  
NEIL M. GORSUCH  
GEOFFREY M. KLINEBERG  
REID M. FIGEL  
HENK BRANDS  
SEAN A. LEV

1301 K STREET, N.W.  
SUITE 1000 WEST  
WASHINGTON, D.C. 20005-3317

(202) 326-7900

FACSIMILE:  
(202) 326-7999

January 8, 1999

1 COMMERCE SQUARE  
2005 MARKET STREET  
SUITE 1340  
PHILADELPHIA, PA 19103  
(215) 864-7270  
FACSIMILE: (215) 864-7280

EX PARTE OR LATE FILED

RECEIVED

JAN 8 1999

Ex Parte Filing

Magalie Salas, Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
12<sup>th</sup> Street Lobby, Room TW-A325  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY


In re Matter of the Pay Telephone Reclassification  
and Compensation Provisions of the Telecommunications  
Act of 1996, CC Docket No. 96-128

Dear Ms. Salas:

Enclosed for filing in this docket are the original and one copy of a letter I sent to Craig Stroup on behalf of the RBOC/GTE/SNET Coalition. I would ask that you include the letter in the record of this proceeding in compliance with 47 C.F.R. § 1.1206(a)(2).

If you have any questions concerning this matter, please contact me at (202) 326-7902.

Yours sincerely,

  
Michael K. Kellogg

Enclosure

No. of Copies rec'd 041  
List A B C D E

KELLOGG, HUBER, HANSEN, TODD & EVANS, P.L.L.C.

MICHAEL K. KELLOGG  
PETER W. HUBER  
MARK C. HANSEN  
K. CHRIS TODD  
MARK L. EVANS  
AUSTIN C. SCHLICK  
STEVEN F. BENZ  
NEIL M. GORSUCH  
GEOFFREY M. KLINEBERG  
REID M. FIGEL  
HENK BRANDS  
SEAN A. LEV

1301 K STREET, N.W.  
SUITE 1000 WEST  
WASHINGTON, D.C. 20005-3317  
  
(202) 326-7900  
FACSIMILE:  
(202) 326-7999

1 COMMERCE SQUARE  
2005 MARKET STREET  
SUITE 2340  
PHILADELPHIA, PA 19103  
(215) 864-7270  
FACSIMILE: (215) 864-7280

EX PARTE OR LATE FILED

RECEIVED

JAN 8 1999

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Mr. Craig Stroup  
Federal Communications Commission  
2033 M Street, N.W., Suite 500  
Washington, D.C. 20554

Re: Pay Telephone Reclassification and Compensation  
Provisions of Telecommunications Act of 1996,  
CC Docket No. 96-128

Dear Mr. Stroup:

I am writing on behalf of the RBOC/GTE/SNET Payphone Coalition to clarify information concerning the cost of bad debt and collections associated with per-call compensation. In the Coalition's Petition for Reconsideration on December 1, 1997, the Coalition pointed out that it was plainly incorrect for the Commission to neglect to provide for any bad debt expense associated with per-call compensation. In the Coalition's Remand Comments, filed July 13, 1998, the Coalition reiterated the point, and reported that Coalition members had taken bad debt charges for the eight-and-a-half months ending December 31, 1997, equal to 3 to 10 percent of anticipated per-call compensation revenues. In addition, the Coalition reported at that time that Coalition members had incurred collections expenses of approximately .8 cents per call. This translates into a bad debt and collections expense, at a per-call compensation rate of \$.284, of \$.017 to \$.036 per call.

The Coalition has subsequently reported that Coalition members have collected only 50 to 80 percent of expected revenues.<sup>1</sup> This would suggest that uncollectible expenses are in fact well in excess of the amount previously reported. In an effort to assist the Commission to reconcile the discrepancy between these two numbers, the Coalition has collected data from its members as to their current expectations concerning uncollectible expenses, as well as per-call compensation administration expenses, based on their experience during 1998.

---

<sup>1</sup>See Letter of Michael K. Kellogg to Lawrence Strickling, November 17, 1998.

KELLOGG, HUBER, HANSEN, TODD & EVANS, P.L.L.C.


Mr. Craig Stroup  
December 8, 1998  
Page 2

This information represents the Coalition members' best estimate — based on experience through the first three quarters of 1998 — concerning the ultimate amount of per-call compensation that will remain uncollected. This amount does not include any allowance for amounts unpaid due to legal disputes (such as pending complaints against MCI and Frontier). Although current outstanding balances average well over 20 percent of expected revenue, Coalition members have reported that they estimate that uncollectibles will ultimately amount to a weighted average of 14.4 percent of expected per-call compensation revenues, or 4.1 cents per call at a per-call compensation rate of \$.284. Coalition members have also revised their per-call compensation administration expenses to a weighted average of .4 cents per call. Bad debt and collection expenses associated with per-call compensation eligible calls thus amount to \$.045 per call.

It should be emphasized that Coalition members' estimates of expected revenue are based on the actual number of per-call compensation eligible calls carried over Coalition payphones — they were not calculated using averages. In addition, the estimates of the various Coalition members largely fell within a narrow range.

I hope that this information helps to clarify the information already in the record of this proceeding. If I can provide further information, please call me at (202) 326-7902.

Yours sincerely,



Michael K. Kellogg

cc: Lawrence Strickling  
Dorothy Attwood  
Don Stockdale  
Glenn Reynolds  
Bill Rogerson  
Richard Cameron  
Milton Price  
Greg Lipscomb  
Thomas Power  
Paul Gallant  
James Casserly  
Kyle Dixon  
Kevin Martin